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E.O. 12958: DECL: 08/08/2016  
TAGS: [EAID](#) [ECON](#) [ETRD](#) [IZ](#)  
SUBJECT: GOI PROPOSES PROTECTING AGRO-PRODUCTS UNDER  
COMPREHENSIVE TARIFF REVAMP

Classified By: Econ MinCouns Tom Delare for reasons 1.4 (b) and (d)

¶1. (C) Summary. The GOI,s Tariff Steering Committee is drafting a comprehensive tariff schedule that calls for an average tariff on agricultural products of 16.9 percent; some products have been targeted for higher duties to stimulate sectoral growth. A preliminary assessment suggests that tariffs on non-agricultural products will be low or zero. The proposal is a significant departure from the GOI,s Stand-By Arrangement (SBA) with the International Monetary Fund that assumes the current 5 percent reconstruction levy would be converted to a uniform 10 percent import duty. The GOI proposal moves directly to implementation of a comprehensive schedule when it is completed. In the interim, the 5 percent reconstruction levy remains in force, despite its expiration earlier this year. End summary.

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Agricultural Tariffs Average 16.9 Percent  
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¶2. (C) A USAID consultant working closely with Iraqi ministries on the groundwork for Iraq,s accession to the World Trade Organization recently reported the GOI,s Tariff Steering Committee is drafting a comprehensive tariff schedule. The proposal calls for an average tariff on agricultural products of 16.9 percent, with tariffs on some products significantly higher. For example, the proposal allows for higher tariffs to protect established export industries (dates), to nurture potential export industries (fresh vegetables) and restore traditional or nascent agricultural industries (fish farming), and to protect basic inputs into domestic industry (wool and leather). (Note: preliminary reporting estimated the average agricultural tariffs at 20-21 percent, but this figure has been revised down. End note.) According to the consultant, the Ministry of Agriculture has also agreed "in principle" to apply a system of ad valorem duties in lieu of the current system, but how this would be implemented remains unclear.

¶3. (C) The consultant noted that at this point the Committee envisions low or zero tariffs on non-agricultural products. The Tariff Steering Committee continues to make changes to the proposal and so the Committee,s position could change in the future.

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New Schedule in Lieu of Expected Uniform 10 Percent  
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¶4. (C) The proposal is a significant departure from the

GOI,s previously indicated course on tariffs. The Coalition Provisional Authority (CPA) set a 5 percent reconstruction levy across-the-board on imported goods. The GOI declared its intention to move to a uniform 10 percent import duty to as a way to increase non-oil revenue, but the proposal appears to have stalled in the Council of Ministers. While not a specific requirement under the SBA the GOI reached with the IMF, the SBA assumed the 5 percent reconstruction levy would be converted to a uniform 10 percent import duty.

¶5. (C) When Finance Minister Bayan Jabr took office he reportedly abandoned the plan for the 10 percent uniform import duty in favor of the proposed comprehensive tariff schedule. With the work of the Tariff Steering Committee on-going, the MOF claims that the 5 percent reconstruction levy continues to be applied, despite its legal expiration earlier this year. Provincial customs offices, which enforce customs rules and collect tariffs, continue to collect this levy, as well as, in some cases, local tariffs. Jabr set an ambitious goal of mid-October 2006 for completion of the new tariff schedule. While the work may not be complete by this time, the Tariff Steering Committee continues to work actively to complete the schedule. The final tariff schedule will require approval by the National Assembly before adoption. The Trade Minister reports that he was unaware of the proposal, and will look into it.

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Products Classified Under WCO Harmonized Schedule  
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¶6. (C) The USAID consultant emphasized that his team is not advocating on behalf on any specific tariff rates, but rather is focused on helping Iraq develop the legal and regulatory

framework necessary for WTO accession. They believe a comprehensive tariff schedule, with the products classified according to the World Custom,s Organization (WCO) Harmonized Schedule, is an important step toward WTO accession. The GOI hopes the WTO will hold the first working party meeting for Iraq,s accession in Geneva in December ¶2006. The consultant also stressed that his colleagues were careful not to communicate to the GOI that WTO and WCO guidelines justify the increase in tariffs as long as they conform to the WTO and WCO standards.

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